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UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF CALIFORNIA

e.Digital Corporation,

Plaintiff,

v.

Microsemi Corporation; and, Microsemi Corp. – Memory And Storage Solutions,

Defendants.

CASE NO.: 3:15-cv-00319-H-BGS

PLAINTIFF E.DIGITAL CORPORATION'S OPPOSITION TO DEFENDANTS' MOTION TO STAY PENDING INTER PARTES REVIEW OF THE PATENT-IN-SUIT

DEMAND FOR JURY TRIAL

Date: August 3, 2015
Time: 10:30 am
Courtroom: 15A
Judge: Hon. Marilyn L. Huff

Courtroom 15A (15th Floor - Annex)

Plaintiff e.Digital Corporation ("e.Digital" or "Plaintiff") hereby submits this opposition to the Motion to Stay Pending Inter Partes Review of the Patent-In-Suit (Dkt. No. 22) filed by Defendants Microsemi Corporation and Microsemi Corp.–Memory and Storage Solutions (collectively, "Microsemi" or "Defendant").

Microsemi's motion to stay is an improper attempt to delay e.Digital's infringement claims arising out of U.S. Patent No. 5,839,108 ("the '108 patent" or "patent-in-suit"). More importantly, Microsemi has failed to meet its burden of establishing that the balance of competing interests weighs in its favor. Among other things, the subject petition has not yet been granted and, as such, Microsemi's stay arguments are clearly premature to say the least.

I. INTRODUCTION

e.Digital Corporation ("Plaintiff" or "e.Digital") filed a complaint against Microsemi on February 13, 2015 (Dkt. No. 1) alleging direct infringement, inducement of infringement, and contributory infringement of Claim 1 of e.Digital's U.S. Patent No. 5,839,108 ("the '108 patent" or "the patent-in-suit"). (Dkt# 1). Claim 1 of the '108 patent, issued November 17, 1998, teaches a method of memory management for a non-volatile memory storage medium, such as flash memory.

On April 28, 2015, Microsemi filed an *inter partes review* petition ("IPR petition") of the patent-in-suit. According to 37 C.F.R. 42.107(b), the due date for any preliminary response is three months from "the date of a notice indicating that the request to institute and [IPR] has been granted a filing date." In Microsemi's IPR case, the PTAB issued such a notice on May 6, 2015. e.Digital's response to the IPR is, thereby, due on August 6, 2015. A decision as to whether to grant the IPR petition will most likely be made on or after November 6, 2015. (*See* 37 C.F.R. 42.107; 37 C.F.R. 42.108; and 35 U.S.C. § 314.) A scheduling order has not been issued in this case yet and the parties have not yet exchanged any discovery or claim construction materials.

However, it is also important to note that the Honorable Judge Marilyn Huff ("Judge Huff"), the judge assigned to this matter, is already well-familiar with the '108 patent, having presided over 30 or more cases during the past year-and-a-half which involve Claim 1 of the '108 patent. Judge Huff has already issued two claim construction orders with respect to Claim 1 of the '108 patent, the only claim at issue in this matter. (*See,* Exhibits A-B filed herewith). Accordingly, much ground has, in a sense, *already been covered* with respect to claim construction in this matter given that, among other things, the Court will undoubtedly take judicial notice and/or rely upon her previous claim construction orders when making claim construction orders in this case.

II. LEGAL STANDARD

The Federal Circuit recognizes the existence of a "strong public policy favoring expeditious resolutions of litigation." *Kahn v. Gen. Motors Corp.*, 889 F.2d 1078, 1080 (Fed. Cir. 1989). Nevertheless, "District courts have inherent authority to stay proceedings before them." *Rohan* ex rel. *Gates v. Woodford*, 334 F.3d 803, 817 (9th Cir. 2003). "[T]he power to stay proceedings is incidental to the power inherent in every court to control the disposition of the causes on its docket with economy of time and effort for itself, for counsel, and for litigants." *Landis v. N. Am. Co.*, 299 U.S. 248, 254 (1936). However, a "court is under no obligation to delay its own proceedings" where parallel litigation is pending before the Patent Trial and Appeal Board ("PTAB"). *See, Robert Bosch Healthcare Systems, Inc. v. Cardiocom, LLC*, 2014 U.S. Dist. LEXIS 92792, 2014 WL 3107447 at *2 (N.D. Cal. Jul. 3, 2014).

"There is no per se rule that patent cases should be stayed pending reexamination, because such a rule 'would invite parties to unilaterally derail' litigation." *Verinata Health, Inc. v. Ariosa Diagnostics, Inc.*, 2014 U.S. Dist. LEXIS 4025, at *4 (N.D. Cal. Jan. 13, 2014) (quoting *ESCO Corp. v. Berkeley Forge & Tool, Inc.*, 2009 U.S. Dist. LEXIS 94017, at *5 (N.D. Cal. Sept. 28, 2009)). Instead, the decision to grant a stay is within the court's discretion, taking into account the totality of the circumstances. *See, Ethicon v. Quigg*, 849 F.2d 1422, 1426-27. A "court is under no obligation to delay its own proceedings by yielding to ongoing PTO reexaminations, regardless of their relevancy to infringement claims which the court must analyze." *Verinata Health* at *5 (quoting *ESCO Corp. v. Berkeley Forge & Tool, Inc.*, 2009 U.S. Dist. LEXIS 94017, at *5).

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This is especially true when the Patent Office has yet to decide whether to institute IPR proceedings. *See, e.g., VirtualAgility Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307, 1315-16 (Fed. Cir. 2014); *Loyalty Conversion Sys. Corp. v. American Airlines, Inc.*, 2014 U.S. Dist. LEXIS 102978, 2014 WL 3736514 at *1-2 (E.D. Tex. Jul. 29, 2014) (noting that the "majority of courts . . . have denied stay requests when the PTAB has not yet acted on the petition for review").

The Court ultimately must decide whether to issue a stay on a case-by-case basis. *See, e.g., Asetek Holdings, Inc. v. Cooler Master Co., Ltd.*, 2014 U.S. Dist. LEXIS 47134, 2014 WL 1350813, at *1 (N.D.Cal. Apr. 3, 2014). In determining whether to stay an action, a court must weigh competing interests that will be affected by the granting or denial of a stay. *CMAX, Inc. v. Hall*, 300 F.2d 265, 268 (9th Cir. 1962).

In determining whether to stay a case pending inter partes review, the Court considers three factors: (1) whether discovery is complete and whether a trial date has been set; (2) whether a stay will simplify the issues in question and trial of the case; and (3) whether a stay would prejudice the non-moving party or present a clear tactical advantage for the moving party. *See, Netlist, Inc. v. Smart Storage Systems*, 2014 U.S. Dist. LEXIS 116979, at *4 (N.D. Cal. Aug. 21, 2014); *Tas Energy, Inc. v. San Diego Gas & Elec. Co.*, 2014 U.S. Dist. LEXIS 26107, at *8-9 (S.D. Cal. Feb. 26, 2014); The Leahy-Smith America Invents Act, § 18(b)(1), P.L. 112-29, 125 Stat. 284, 331 (setting out the same factors and adding a fourth to determine whether to stay litigation pending PTO review of covered business method patents).

"The proponent of a stay bears the burden of establishing its need." *Clinton v. Jones*, 520 U.S. 681, 708 (1997) (citing *Landis*, 299 U.S. at 255.) "If there is even a fair possibility that the stay for which [the movant] prays for will work damage to someone else," the movant "must make out a clear case of hardship or inequity in being required to go forward." *CMAX*, 300 F.2d at 268 (quoting *Landis*,

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299 U.S. at 255).

III. ARGUMENT

A. A Stay Will Not Simplify the Issues For Trial

Here, Microsemi offers the same arguments that were previously rejected by this very same court in two previous motions to stay brought by other '108 patent defendants in *e.Digital Corporation v. Micron Consumer Products Group, Inc., D/B/A* Lexar, Case No. 3:13-cv-02907-H-BGS, Dkt. No. 51 (S.D.Cal, Feb. 5, 2015). Specifically, Microsemi argues, "The second factor supports a stay because it is highly likely that the PTAB will cancel the asserted claim, and regardless of the PTAB's final action, a stay will simplify the litigation." (Microsemi Motion at 7:8-11). Microsemi echoes the same IPR statistics presented by the earlier referenced Micron motion. (*Id.* at 12-17). However, this is pure speculation on Microsemi's part. *Dane Techs., Inc. v. Gatekeeper Sys., Inc.,* 2013 U.S. Dist. LEXIS 117718, *5-6 (D. Minn. Aug. 20, 2013) (finding fact that PTAB had granted 89% of petitions to date unpersuasive, likelihood of review still speculative). In fact, it is unclear whether review will be instituted and any review is of uncertain scope. *See, e.g. Audatex N. Am., Inc. v. Mitchell Int'l, Inc.*, 46 F. Supp. 3d 1019, 2014 U.S. Dist. LEXIS 128145 at *1023-1024 (S.D. Cal. 2014); *see also Universal Elecs., Inc.,* 943 F.Supp.2d. 1028, 1035 (C.D. Cal. May 2, 2013) ("the Court is concerned that allowing the progress of its docket to depend on the status of proceedings elsewhere can interfere with its obligation 'to secure the just, speedy, and inexpensive determination of every action'") (internal citation omitted); *Overland v. BDT AG*, Case No. 10-cv-1700, Dkt No. 56 at 7:12-24 (S.D.Cal., Dec. 10, 2013, J. Sammartino). Until the PTAB issues its decision on whether to institute review, this Court can only speculate about whether or not a stay would simplify the issues. *Id. See also, In re Ameranth Patent Litig. Cases*, 2013 U.S. Dist. LEXIS 185032 **13-14 (S.D. Cal. Nov. 26, 2013) and *e.Digital v. Micron*, *supra*, Dkt # 51 at 4:15-19. The imposition of a stay, in and of itself, will

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also not simplify the issues or streamline the trial. *Id.*

B. Possible Damage Resulting from a Stay Weighs *Against* a Stay

This factor weighs against granting a stay. Microsemi once again asserts the same arguments previously rejected by this Court in *Micron*. Public policy favors "expeditious resolutions of litigation." *Kahn, supra*, 889 F.2d at 1080. Courts have found the fact that the PTAB has not yet decided whether to grant IPR weighs against granting a motion for a stay. *See, e.g., See TPK Touch Solutions, Inc., v. Wintek Electro-Optics Corporation*, 2013 U.S. Dist. LEXIS 162521, 2013 WL 6021324, at *5 (N.D. Cal. Nov. 13, 2013); *Sage Electrochromics, Inc. v. View, Inc.*, 2015 U.S. Dist. LEXIS 1056, at **14-15 (N.D. Cal. Jan. 5, 2015) (denying motion to stay because, among other reasons, the PTAB had not decided whether to open IPR proceedings); *Aylus Networks, Inc. v. Apple, Inc.*, 2014 U.S. Dist. LEXIS 157228 (N.D. Cal. Nov. 6, 2014).

As Federal Circuit Judge Bryson recently explained, sitting by designation in the Eastern District of Texas, "[b]ecause it is speculative whether the PTAB will grant the petition, that factor does not cut in favor of a stay." *Loyalty Conversion Sys.*, 2014 U.S. Dist. LEXIS 102978, 2014 WL 3736514, at *2 (emphasis added). *See also Automatic Mfg. Sys., Inc. v. Primera Tech., Inc.*, 2013 U.S. Dist. LEXIS 67790, at *7 (M.D.Fla., May 13, 2013) ("a stay of a patent infringement action is not warranted when based on nothing more than the fact that a petition for *inter partes* review was filed in the USPTO").

This motion is therefore entirely premature as the Patent Trial and Appeal Board ("PTAB") has yet to decide whether it will even grant the petition. Accordingly, it could be four or more months from the date the petition was filed (or approximately November 6, 2015) before the PTAB decides whether to grant the petition.

If the petition is denied, this case "will have been left languishing in the Court's docket with no discovery, no … claim construction, and no dispositive

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motions." *See Automatic Mfg., supra*, 2013 U.S. Dist. LEXIS 67790, at *7. The risk of damage to e.Digital based on the speculative notion that the IPR *could* be granted therefore weighs against granting a stay. *See, Overland Storage, Inc. v. BDT AG, supra*, Case No. 10-cv-1700, Dkt No. 56 at 5:26-6:6; *Warsaw Orthopedic, Inc. v. Nuvasive, Inc.*, Case No. 12-cv-2738-CAB-MDD, Dkt No. 69 at 1:21-25 (S.D.Cal., May 30, 2013, J. Bencivengo) (denying motion to stay because decision to grant inter partes review was pending); *Universal Electronics v. Universal Remote Control, Inc.*, *supra*, 943 F.Supp.2d. at 1035 (denying motion to stay and noting the lengthy delay possible because the inter partes review petition had not yet been granted); *Proctor & Gamble Co. v. Team Techs., Inc.*, Case No. 1:12-cv-552, 2013 U.S. Dist. LEXIS 128949, at *8-9 and n.1 (S.D. Ohio Sept. 10, 2013) (denying motion to stay as premature where inter partes review petition was not yet granted; collecting similar cases from other districts); *Dane Techs., Inc. v. Gatekeeper Sys., Inc.*, *supra*, 2013 U.S. Dist. LEXIS 117718, at *2 (denying stay before the USPTO makes a decision on a petition because "the Court can only speculate as to whether the USPTO will review a patent and to what extent"); *Davol, Inc. v. Atrium Med. Corp.*, Case No.12-958-GMS, 2013 LEXIS 84533, at *6-7 (D. Del. June 17, 2013) (finding the fact that inter partes review had not yet been granted weighed against granting stay).

Accordingly, the delay caused by a stay would "unduly prejudice" e.Digital and would "present a clear tactical disadvantage." *Automatic Mfg., supra*, 2013 U.S. Dist. LEXIS 67790, at *8. e.Digital should be able "to prosecute its claims, to take discovery, and to set its litigation positions, at least until such a time as the USPTO takes an interest in reviewing the challenged claims." *Id*. This factor therefore weighs against a stay.

Finally, Defendants do not attempt to specifically allege any alleged potential hardship to Defendants if the case were allowed to go forward other than broad, general references to "unnecessary expenditure," and "unnecessary

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resources." (Microsemi Motion at 6:21-23 and 9:1-3.) This contention is entirely speculative. *See, Dane Techs., Inc. v. Gatekeeper Sys., Inc., supra*, 2013 U.S. Dist. LEXIS 117718, at *5-6 (finding fact that PTAB had granted 89% of petitions to date unpersuasive, likelihood of review still speculative). Based on the foregoing, this factor weighs against a stay.

IV. CONCLUSION

Based on the foregoing, Microsemi's motion to stay pending its petition for inter partes review is entirely speculative and premature. A stay would prejudice e.Digital and is not in the interest of orderly justice. Microsemi's assertions of hardship are speculative and should be afforded little weight given the amount of time and resources spent on the case thus far by both parties and the Court. Microsemi's motion to stay should therefore be denied.

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Dated: July 20, 2015

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing document has been served on this date to all counsel of record, if any to date, who are deemed to have consented to electronic service via the Court's CM/ECF system per CivLR 5.4(d). Any other counsel of record will be served by electronic mail, facsimile and/or overnight delivery upon their appearance in this matter.

I declare under penalty of perjury of the laws of the United States that the foregoing is true and correct. Executed this 20th day of July, 2015 at San Diego, California.

HANDAL & ASSOCIATES

Dated: July 20, 2015

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